



Carlos Jackson
Executive Director

**HOUSING AUTHORITY
of the County of Los Angeles**

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Gloria Molina
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Michael D. Antonovich
Commissioners

December 5, 2006

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

**APPROVE ALLOCATION OF CITY OF INDUSTRY HOMEOWNERSHIP PROGRAM
FUNDS TO HHP DFO LLC FOR 27 AFFORDABLE HOMEOWNERSHIP UNITS IN
THE CITY OF PASADENA (5)
(3 Vote)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Acting as the responsible agency pursuant to the California Environmental Quality Act (CEQA), certify that the Housing Authority has considered the attached Initial Study/Mitigated Negative Declaration (IS/MND), including any public comments, prepared by the City of Pasadena for the Fair Oaks Court project, consisting of 40 units of for-sale condominiums to be located at the northeast corner of Peoria Street and Fair Oaks Avenue in the City of Pasadena; and find that the mitigation measures identified in the IS/MND are adequate to avoid or reduce potential environmental impacts to below significant levels.
2. Find that the above referenced environmental documents reflect the independent judgment of the Housing Authority, and authorize the Executive Director to take any and all actions necessary to complete implementation of the required environmental review actions.
3. Approve a Unit Loan Assistance Agreement (Agreement), presented in substantially final form, between the Housing Authority and HHP DFO LLC, a California limited liability corporation (the Developer), to provide

secondary financing in a maximum aggregate amount of up to \$1,155,000 in City of Industry Homeownership Program Funds (Industry Funds), comprised of an average of \$42,778 for each qualified buyer of 27 affordable homeownership units (Industry Assisted Units), out of the 40-unit project described above, which has been selected through the City of Industry Homeownership Program Request for Proposals (RFP) process.

4. Authorize the Executive Director to execute the Agreement, to be effective following approval as to form by County Counsel and execution by all parties, and to incorporate a total of \$1,155,000 in Industry Funds into the Housing Authority's approved 2006-2007 Fiscal Year budget; and authorize the Executive Director to subordinate the Housing Authority's loan to the permitted permanent financing, for the purposes described above.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to approve a loan of up to \$1,155,000 in Industry Funds to the Developer for development of the 27 Industry Assisted Units that will be sold to qualified low and moderate income, first time homebuyers.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund.

Under the proposed Agreement, the Housing Authority will provide soft second loans up to an aggregate total amount of \$1,155,000 in Industry Funds to qualified buyers of the 27 affordable Industry Assisted Units.

Construction costs for the Industry-Assisted Units will total approximately \$14,687,148, which will be financed partially through a private construction loan of at least \$4,009,022, obtained by the Developer from Commercial Capital Bank. The Developer will also receive a loan from the City of Pasadena for \$4,174,000. In addition, the Developer will use \$3,553,903 in proceeds from the sale of the first phase of homes completion to help pay construction costs of the 27 Industry Assisted Units. The Developer will also receive \$2,122,152 in New Market Tax Credit proceeds and \$115,256 in net operating income from the development to pay for the remaining construction costs. Finally, the Developer will defer \$712,815 of its Development Fee during the construction phase.

After construction, the assisted homes will be sold for the appraised values, as determined by a Housing Authority-approved appraiser at the time of sale. Each type of home is expected to have a different appraised value (e.g. four-bedroom units will sell for a greater amount than the two-bedroom units). However, it is estimated that the average sales price of the homes will be approximately \$500,000. Homebuyers will obtain financing totaling approximately \$5,847,463 from private sources. In addition, the homebuyers are expected to provide \$581,739 in total down payments for the 27 units. The Housing Authority will provide a total of \$1,155,000 in permanent secondary financing to the 27 homebuyers.

Additional funding sources for permanent financing include the State of California Department of Housing and Community Development's BEGIN Program, which will provide \$691,538; the City of Pasadena, which is providing \$4,174,000; and the New Market Tax Credits, from the construction phase, which will convert to permanent financing in the amount of \$2,122,152. Finally, the Developer is expected to collect \$115,256 in operating income from the project prior to construction, and these funds will also be used to assist the homebuyers. The total of all permanent sources is \$14,687,148, which is adequate to pay the development cost of the units. Since the appraised values will average \$500,000 per unit, unfunded "soft" secondary mortgages will be issued to cover the difference between the appraisal values and the cost of the homes. The value of these "soft" mortgages will be divided among the various public agencies that provided subsidies, in shares proportionate to the amount of financing provided.

A Financial Analysis is provided as Attachment A.

FACTS AND PROVISION/LEGAL REQUIREMENTS:

On September 9, 2003, the City of Industry Affordable and Special Needs Housing Plan was amended to authorize creation of an open-ended RFP for the Homeownership Program. Industry Funds consist of 20 percent of the tax-increment funds collected by the City of Industry that are transferred to the Housing Authority to develop affordable multifamily, special needs, and for-sale housing in the unincorporated County.

In the summer of 2004, the Developer, a California non-profit corporation, submitted an application in response to the RFP. Its proposal is the first to be selected to receive funding under the modified City of Industry Homeownership Program.

The Developer proposes to construct 31 attached condominium units and rehabilitate nine detached units in the City of Pasadena. Twenty seven of the 31 attached units will be assisted with Industry Funds. Nine historic homes currently located at the site will be

rehabilitated. These historic homes will not be subsidized with Industry funds. The Industry funds will be provided through a standard Unit Loan Assistance Agreement, following completion of financial arrangements and approval as to form by County Counsel. The Loan Agreement will incorporate affordability restrictions and provisions requiring the Developer to comply with all applicable federal, state, and local laws.

The Agreement will set aside six units for sale at a price affordable to households with incomes that do not exceed 80 percent of the area median income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area (MSA), adjusted for family size, as established by the U.S. Department of Housing and Urban Development (HUD). The Agreement will also reserve 11 homes for households with incomes not exceeding 90 percent of the AMI, and 10 units for households with incomes not exceeding 100 percent of the AMI. The Agreement will require that the housing units remain affordable for 45 years.

The proposed project includes federal funds, and is not subject to the requirements of the Greater Avenues for Independence (GAIN) Program implemented by the County of Los Angeles. Instead, the Developer must comply with Section 3 of the Housing and Community Development Act of 1968, as amended, which requires that employment and other economic opportunities generated by certain HUD assistance be directed to low- and very low-income persons, particularly to persons who are recipients of HUD housing assistance.

REQUEST FOR PROPOSALS AND SELECTION PROCESS:

The proposed project was selected in accordance with the Homeownership Program RFP process established by amendment to the Allocation and Distribution Plan, approved by your Board on September 9, 2003. This Amendment provided that the RFP remain open year-round, and stipulated that the existing Industry RFP process be utilized to evaluate proposals.

ENVIRONMENTAL DOCUMENTATION:

As the responsible agency, and in accordance with the requirements of State CEQA Guidelines, the Housing Authority reviewed the Fair Oaks IS/MND and determined that the mitigation measures identified by the City of Pasadena are adequate to avoid, or reduce below significant levels, potentially adverse impacts on the environment. The Housing Authority's consideration of the IS/MND, including mitigation measures, and filing of a Notice of Determination, will satisfy State CEQA Guidelines as stated in Article 7, Section 15096.


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The environmental review record for this project is available for viewing by the public during regular business hours at the Housing Authority's main office located at 2 Coral Circle, Monterey Park.

IMPACT ON CURRENT PROGRAM:

Approval of the proposed action will increase affordable homeownership opportunities for County residents.

Respectfully submitted,


ja CARLOS JACKSON
Executive Director

Attachments: 1

Attachment A

HOUSING FINANCIAL ANALYSIS Fair Oaks Condominiums

The project consists of 40 condominium homeownership units, 27 of which will be subsidized with funds from the City of Industry Homeownership Program. The project will be located at the northeast corner of Peoria Street and Fair Oaks Avenue, in the City of Pasadena. The Industry-Assisted units will be reserved for low-income households, defined as those with incomes that do not exceed 80 percent of the Area Median Income (AMI) and moderate-income households, defined as those with incomes that do not exceed 100% of AMI for the Los Angeles/Long Beach Metropolitan Statistical Area (MSA), as determined by the U.S. Department of Housing and Urban Development (HUD).

Following is a financial analysis of funding for the 27 Industry-Assisted Units:

	TOTAL	PER UNIT
<u>Uses</u>		
Total Development Cost	\$14,687,148	\$543,968
<u>Construction Sources</u>		
Phase II Sales Proceeds	\$3,553,903	\$131,626
Construction Loan (CCB)	\$4,009,022	\$148,482
City of Pasadena	\$4,174,000	\$154,592
HHP Net Operating Income	\$115,256	\$4,269
New Markets Tax Credit Proceeds	\$2,122,152	\$78,598
Deferred Developer Fee	\$712,815	\$26,401
Total	\$14,687,148	\$543,968
<u>Permanent Sources</u>		
First Mortgages (Homebuyers)	\$5,847,463	\$216,573
Down payment (Homebuyers)	\$581,739	\$21,546
City of Industry Funds	\$1,155,000	\$42,778
State BEGIN Program Funds	\$691,538	\$25,612
City of Pasadena Funds	\$4,174,000	\$154,592
New Markets Tax Credit Proceeds	\$2,122,152	\$78,598
HHP Net Operating Income	\$115,256	\$4,269
Total	\$14,687,148	\$543,968